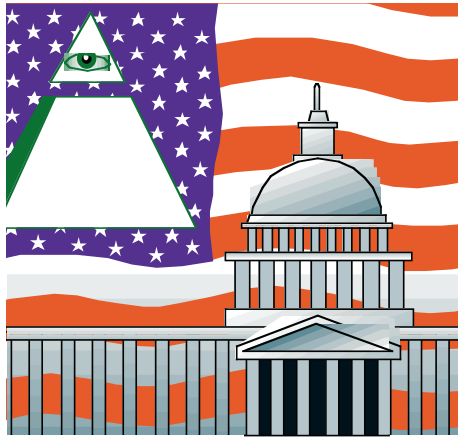


# In the Public Interest

DOING BUSINESS WITH GOVERNMENTS



Despite increased paperwork,  
being on the GSA Schedule  
can make a big difference  
for your sales.

This is the fourth in a four-part series  
centered around the subject of doing  
business with the U.S. Government.

Part 1: Laying the Groundwork

Part 2: Legal Issues

Part 3: Sales Channels

Part 4: The GSA Schedule

## Getting on the GSA Schedule

The General Services Administration (GSA) Schedule and its workings make a complicated mechanism. Space will allow for only an overview of this topic and why you should know about it. However, knowing the major points can help in your decision-making process.

The GSA is the primary procurement department for the U.S. Government. GSA purchases real estate, furniture, supplies, and computer hardware and software. It negotiates pricing, delivery, payment terms, and other contractual issues with the vendors. The results of these negotiated settlements—the GSA Schedule—is published annually.

By being on the schedule, a company can shorten its sales cycle, because all of the contractual issues have been prenegotiated, including pricing. The benefit to those who have to negotiate on a purchase-order-by-purchase-order basis should be obvious. What isn't obvious is that government procurement officers get the same savings of time. If a product is on the GSA Schedule and competing products aren't, a contracting officer is likely to simply purchase the "schedule" product rather than its competitors.

One reason for this practice is that purchases off the schedule are considered to have met the "full and open competition" requirement, because they went through a negotiated process. A second reason is that it offers the path of least resistance to contracting officers. That is to say, their job is made easier because a portion of the contract has already been negotiated, allowing them to complete transactions in less time. It's a win-win solution for both the vendor and the government.

It's important to note that being on the schedule does not in any way guarantee sales. Your firm will still have to work to sell your products to the federal government. There is no minimum quantity guaranteed by the government, and you could wind up not selling anything. You are, however, increasing the likelihood of sales.

## Your Schedule or Someone Else's?

There are several ways of making your products available on the GSA Schedule. You could have your own schedule with the government. This process is not as difficult as some (such as federal marketing consultants) might have you believe, but it is somewhat protracted. It involves educating yourself about the rules, understanding the consequences of those rules, doing a reasonable amount of research on your firm's pricing, completing a lot of paperwork, and making regular contact with your GSA negotiator.

The main benefit of having your own schedule is having a direct sales-channel link between the federal end-user and your firm. If you work through resellers, you can allow them to sell your product off your schedule, which helps your distributors increase their federal business.

Another way to put your product on the GSA Schedule is to have another company on the schedule add your product to its contract. This requires two negotiations to take place. First, you negotiate a discount with this intermediate firm. Essentially, you're setting it up as a reseller at whatever discount rates you agree on. Then that firm negotiates with the GSA negotiator for your product and any other products the firm is reselling. While you still have to provide the necessary pricing history and documentation of prior discounts, this alternative represents the easiest path for getting on the schedule. In fact, you might be able to have your product added in mid-year and not have to wait for the formal start period of the GSA Schedules.

The downside of this approach is that you're sharing the other firm's sales force with other products, some of which might be your competitors. This means that you're ceding a portion of your control to the firm whose schedule you're on. And you cannot allow any of your resellers to sell off this type of schedule, as you could if you held your own. Your sales staff will have to direct any GSA sales to your GSA reseller and let it take the purchase order. Consequently, you'll have to have some type of sales commission split to encourage your sales force to work with the

reseller. Otherwise, your sales people might try to go around the GSA Schedule procurement method, which might delay or even eliminate the chance of getting a purchase order.

### Some Drawbacks

What's the downside of being on the GSA Schedule? One is the amount of paperwork involved. You must provide historical pricing information, including the discounts you have offered to other customers and the basis for those discounts. The GSA negotiates on behalf of the entire federal market and expects at least the maximum discount offered to anyone else. To avoid giving the government your maximum discount, you have to detail the various terms and conditions under which you gave that discount.

For example, your terms for a high discount might require a minimum purchase of a hundred units, COD payments, and minimum support. You'll have to document these requirements to show the federal government why it can't take advantage of the same high discount. If you can't make your case with documentation, the GSA negotiator will ask for the same discount for what essentially is a no-quantity-guarantee, end-user purchase.

You also must keep track of your GSA purchases while you are on the schedule. You'll be asked to document the amount of GSA versus non-GSA purchases for the time that you have your product on the schedule. Failure to do so could cause GSA to revoke or not renew your schedule.

If you change your pricing during the annual term of your schedule, you'll have to notify GSA. If you've increased your pricing, you won't be able to increase your federal costs, because you've signed a contract saying that you won't. But if you reduce your pricing, you must offer GSA a new, reduced price. Again, in negotiating new pricing, you can't have too much pricing documentation.

As I mentioned in a previous column, any time you sell to the federal government you are dealing with public funds. Therefore, you need to understand that

you will be agreeing to scrutiny of your financial records beyond what most firms wish to endure. You will, in order to get on the schedule, agree to having your books audited by the government at any time, especially if the government thinks something is amiss.

### Understand the Rules

As I write this installment, Congress is debating the various rules and regulations affecting the GSA Schedule. You will need to determine what the new rules are and how they affect you when they become law. You can do this yourself, but I suggest getting legal counsel. You wouldn't negotiate with another corporation without knowledge of the legal issues surrounding your matter. It's amazing, however,

how many firms try to negotiate with the federal government without understanding the applicable law. You're opening your firm to a number of serious commitments by doing business with the federal government. Don't do so without a good understanding of the legal issues.

If you're serious about increasing your sales to the federal agencies, being on the GSA Schedule makes a lot of sense. It has its drawbacks, but the advantages of a reduced sales cycle and an increased market for your product should outweigh those disadvantages.

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